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U.S. Congress. Senate.

Title:
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Place:
Washington, D.C.

Date:
1932

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Edward P. Costigan, chairman of subcommittee.
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Emergency Financing for Unemployed Workers

HEARINGS

BEFORE A

SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES UNITED STATES SENATE

SEVENTY-SECOND CONGRESS

FIRST SESSION

ON

S. 4947

A BILL TO PROVIDE EMERGENCY FINANCING FACILITIES FOR UNEMPLOYED WORKERS, TO RELIEVE THEIR DISTRESS, TO INCREASE THEIR PURCHASING POWER AND EMPLOYMENT, AND FOR OTHER PURPOSES

JULY 6, 1932

Printed for the use of the Committee on Manufactures

UNITED STATES
GOVERNMENT PRINTING OFFICE
130039 WASHINGTON : 1932

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EMERGENCY FINANCING FOR UNEMPLOYED WORKERS

WEDNESDAY, JULY 6, 1932

UNITED STATES SENATE,
SUBCOMMITTEE OF THE COMMITTEE ON MANUFACTURES,
Washington, D. C.

The subcommittee met, pursuant to call, in room 212, Senate Office Building, Senator Edward P. Costigan presiding.

Senator COSTIGAN. The subcommittee will come to order. This meeting has been called for the purpose of holding a hearing on a bill to provide emergency financing facilities for unemployed workers, to relieve their distress, to increase their purchasing power and employment, and for other purposes. The bill is S. 4947, and will be placed in the report of this hearing at the outset.

(The bill S. 4947 is as follows:)

[S. 4947, Seventy-second Congress, first session]

A BILL To provide emergency financing facilities for unemployed workers, to relieve their distress, to increase their purchasing power and employment, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is hereby created a body corporate with the name of United States Exchange Corporation (herein called the corporation), whose principal office shall be located in the District of Columbia but which may establish or designate agencies or branch offices in any location within the United States under regulations prescribed by the board of directors.

SEC. 2. The corporation shall have capital stock of $500,000,000 subscribed by the United States of America, payment for which shall be subject to call in whole or in part by the board of directors. There is hereby authorized to be appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $500,000,000 for the purpose of making payments upon such subscription when called. Receipts for payments by the United States of America for or on account of such stock shall be issued by the corporation to the Secretary of the Treasury and shall be evidence of the stock ownership of the United States of America.

SEC. 3. The management of the corporation shall be vested in a board of directors consisting of the Secretary of the Treasury, the Secretary of Commerce, and the Secretary of Labor, who shall be members ex officio, and six other persons fairly representative of the interests of labor, management, and ownership in the principal economic activities of the Nation, who shall be appointed by the President by and with the advice and consent of the Senate. Of the nine members of the board of directors not more than five shall be members of any one political party. Each director shall devote his time not otherwise required by the business of the United States principally to the business of the corporation. Before entering upon his duties each of the directors so appointed and each officer of the corporation shall take an oath faithfully to discharge the duties of his office. Nothing contained in this or in any other act shall be construed to prevent the appointment and compensation as an employee of the corporation of any officer or employee of the United States in any board, commission, independent establishment, or executive department thereof. The terms of the directors appointed by the President of the United States shall be two years and run from the date of the enactment hereof and

until their successors are appointed and qualified. Whenever a vacancy shall occur among the directors so appointed, the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of the director whose place he is selected to fill. The directors of the corporation appointed as hereinbefore provided shall receive salaries at the rate of $10,000 per annum each. No director, officer, attorney, agent, or employee of the corporation shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his personal interests, or the interests of any corporation, partnership, or association in which he is directly or indirectly interested.

The corporation shall have succession for a period of ten years from the date of the enactment hereof, unless it is sooner dissolved by an act of Congress. It shall have power to adopt, alter, and use a corporate seal; to make contracts; to lease such real estate as may be necessary for the transaction of its business; to sue and be sued, to complain and to defend, in any court of competent jurisdiction, State or Federal; to select, employ, and fix the compensation of such officers, employees, attorneys, and agents as shall be necessary for the transaction of the business of the corporation, without regard to the provisions of other laws applicable to the employment and compensation of officers or employees of the United States; to define their authority and duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents; and to prescribe, amend, and repeal, by its board of directors, by-laws, rules, and regulations governing the manner in which its general business may be conducted and the powers granted to it by law may be exercised and enjoyed, including the selection of its chairman and vice chairman, together with provision for such committees and the functions thereof as the board of directors may deem necessary for facilitating its business under this act. The board of directors of the corporation shall determine and prescribe the manner in which its obligations shall be incurred and its expenses allowed and paid. The corporation shall be entitled to the free use of the United States mails in the same manner as the executive departments of the Government. The corporation, with the consent of any board, commission, independent establishment, or executive department of the Government, including any field service thereof, may avail itself of the use of information, services, facilities, officers, and employees thereof in carrying out the provisions of this act.

SEC. 4. The policies and regulations of the corporation shall be determined by the board of directors with the aid and advice of an advisory council consisting of at least eighteen and not more than twenty-seven persons appointed by the President from nominations made, in such manner as the President shall direct, by organizations generally recognized as representative of the respective interests of labor, management, and ownership in the principal economic activities of the Nation (such as agriculture, manufacturing, mining, marketing, banking, and transportation). Members of the advisory council shall serve without compensation, but the expenses of the council and of its members in the transaction of its business shall be allowed and paid, on the approval of the board of directors of the corporation, under regulations prescribed by the board.

SEC. 5. It shall be the duty of the board of directors, with the aid and advice of the advisory council, immediately to make a survey, through existing public and private agencies of charitable relief, through State and municipal channels of information, and by means of its own delegated or established agencies, of the existing demands upon essential industries for the necessaries of life which are not being supplied because of the unemployment and lack of purchasing power of those persons responsible for self-support or for the support of dependents, and capable of such suport. The nature and quantity of the goods and services thus in demand, but not supplied, shall be ascertained so far as possible, and classifications shall be made for the purpose of estimating—

(a) The character and volume of purchases which would result from the creation of a purchasing power of $500 for each of said unemployed persons to meet their urgent needs during the succeeding six months.

(b) The approximate increases of present employment which would result from creating sufficient purchasing power to satisfy the said existing demand for the respective goods and services so classified as to character and volume.

SEC. 6. On the basis of this preliminary survey, which shall be completed so far as possible within thirty days after the organization of the board of directors and the advisory council, the corporation shall arrange through its local agencies to extend credits as hereinafter provided to unemployed adults

responsible for and capable of self-support in the amount of not more than $300 for individual support, plus not more than $100 for each dependent, but not exceeding a total of $500 for each household (as defined by general regulations of the corporation) for the specific purchase of goods and services designated in such manner and such detail as the corporation shall determine, for the purpose of combining so far as possible the satisfaction of the most urgent needs of said households with the maximum increase of employment through the increase of purchasing power so provided. Such credits shall be extended only upon promises to repay such advances in the manner and upon the terms hereinafter provided.

SEC. 7. In order to arrange to extend credits for the purchase of goods and services the corporation through its agencies shall license all producers and distributors and transporters who will agree to accept its credit certificates at face value and to conform to its published regulations concerning the terms and conditions under which purchases shall be made and goods or services produced. No purchases shall be made or goods or service supplied on credit extended by the corporation or by its agencies except through such licensees; but all responsible producers, distributors, and transporters shall be entitled to become and to remain licensees upon the making of, and during compliance with, the aforesaid agreement with the corporation, and upon and during compliance with all other agreements with or regulations prescribed by the corporation.

SEC. 8. All licensees of the corporation shall be required to agree that wage scales and basic wage rates for employees shall not be reduced while acting as a licensee below the wage scales and basic wage rates effective on June 1, 1932, and that all employees shall be free from any form of employer coercion operating to prevent or hamper said employees in their efforts to organize themselves, to choose their own representatives and by collective bargaining to fix the terms and conditions of employment (subject to the limitations upon compensation hereinbefore provided). This freedom from coercion shall not be subject to waiver by the employee as a condition of employment or otherwise. No licensee shall be required or permitted by virtue of any provision of this paragraph to modify or abrogate the provisions of any contract (or any modification thereof) now in effect or hereafter put in effect between an employer and its employees as the result of collective bargaining as heretofore described. These requirements shall be imposed in addition to conformity with any other regulations which the corporation shall make, and which the corporation is hereby directed and authorized to make, for the purpose of requiring goods and services to be furnished without discrimination at reasonable prices, which shall not exceed the cost of labor and materials and the lowest percentage of profit consistent with maintaining the solvency of a conservatively financed and economically operated enterprise.

SEC. 9. All applicants for credits extended by the corporation shall sign a note for each purchase from a licensed distributor in the form provided by the corporation, promising to pay to the corporation on or before ten years after date the amount of the purchase with interest, for the first year at 1 per centum, for the second year at 2 per centum, and for the third year at 3 per centum, and thereafter at 4 per centum until paid, which note, together with a credit certificate in the same amount signed by an accredited agent of the corporation, must be deposited with the distributor upon ordering goods or services and transferred to the distributor by an indorsement on the note upon delivery of the goods. The aggregate amount of all credit certificates issued by the corporation agents in any State shall not exceed the total allotment of credit by the corporation to that State, and the total allotted credits for consumers shall be apportioned among the several States in approximately the proportion which their several populations bear to the total population of all the States according to the Fifteenth Decennial Census, unless the corporation shall find and establish a more accurate method of apportioning relief in accordance with volume of demand. Proration of applications necessary because of insufficient credit to fill all demands, and other reductions or limitations necessary to apportion available credits most fairly to meet most urgent needs, shall be regulated by general regulations without any discrimination or preference between individuals or localities except in accordance with such general regulations.

SEC. 10. Every licensee of the corporation shall agree, and all other persons (natural or corporate) shall also be required, when employing any person during the life of the corporation, to ascertain whether such person is indebted

to the corporation upon a note or notes and shall require any such person so indebted, in accordance with the terms of his or her indebtedness, to authorize said employer to deduct 10 per centum of the wages, or 10 per centum of the current money value of any other compensation, paid from every payment to said employee and to remit the same to the corporation to be applied on said indebtedness. The corporation is hereby authorized to enforce this requirement by appropriate regulations to the full extent permitted or authorized by the laws of the several States and of the United States. The corporation shall give public notice of the termination of said requirement when no longer necessary to reimburse the corporation for all moneys expended.

SEC. 11. To aid in creating employment through extending the credits herein provided, the corporation is authorized to make loans to any licensed producer for the employment of workers or the purchase of materials to the extent of 75 per centum of the producer's interest in orders received from licensed distributors based on credit certificates. Such loans must be secured by assignment of the entire interest of the producer in the orders so received. Credit certificates accompanied by the corresponding purchasers' notes when presented to the corporation by licensed distributors in multiples of $50 will be honored by payment in cash or at the option of the corporation by transfer of the corporation bonds in the amount of the face value of said credit certificates and notes without interest. Any interest due on the transfer of the corporation bonds shall be accounted for by a credit or cash payment to the corporation. The corporation shall require satisfactory assurances that transporters and distributors have been or will be paid their share of the consumers' payment. The corporation is authorized by regulations duly published to provide for honoring credit certificates and notes in the hands of distributors or transporters when receiving satisfactory assurances that producers and transporters have been or will be paid their share of the consumers' payment.

SEC. 12. The corporation is authorized and empowered in its discretion to make loans to railroads and to other corporate enterprises essential to meet the reasonably anticipated future demand for necessary goods or services (when eventual payment is adquately secured in the judgment of the board of directors by the obligation of the borrower, with or without any collateral as may be deemed necessary) for the purpose of financing deferred maintenance of existing properties which will be essential to supply a reasonably anticipated future demand for necessary goods or services, but only upon the express condition that the proceeds of such a loan must be used exclusively for employment of additional labor and the cost of necessary additional supplies to be used by such labor, and on the further condition that such a borrower will conform to the standards required of licensees as hereinbefore provided in section 8 of this act.

No such loans shall be made except after a public report by a delegated agent of the corporation, or a report of the Interstate Commerce Commission in the case of railroads, showing the need for the proposed maintenance work and an estimate of the extent of increased employment which would result directly from the loan under consideration. No more than an aggregate amount of $250,000,000 shall be loaned for such purposes and no such loan shall be made after one year from the effective date of this act, unless previously applied for. Loans may be made by use of cash or bonds in the same manner as credit certificates may be honored, as provided in section 11 of this act and provision shall be made for their payment within not more than ten years in equal annual or semiannual installments, and they shall bear interest at not less than 4 per centum or more than 6 per centum as may be fixed by the corporation from time to time by general regulation.

SEC. 13. The corporation is authorized and empowered, in its discretion and within its credit limitations, to make loans to responsible States or municipalities or their responsible agencies for the purpose of purchasing necessary goods and services for the charitable support of persons incapable of self-support and without adequate support from private sources when such persons because of incapacity for present or future self-support can not obtain credit under the provisions of this act or otherwise, when such responsible public agencies have exhausted other sources for public credit provided by State or Federal law and available to meet such needs. Such loans may be made upon the direct obligations of such public agencies upon such terms as may be fixed by general regulations of the corporation but not in an aggregate amount exceeding $250,000,000.

SEC. 14. The corporation is authorized and empowered, with the approval of the Secretary of the Treasury, to issue and have outstanding at any one time in an amount aggregating not more than five times its subscribed capital its notes, debentures, bonds, or other such obligations, such obligations to mature not more than five years from their respective dates of issue, to be redeemable at the option of the corporation before maturity in such manner as may be stipulated in such obligations, and to bear such rate or rates of interest as may be determined by the corporation: *Provided*, That the corporation, with the approval of the Secretary of the Treasury, may sell on a discount basis short-term obligations payable at maturity without interest. The notes, debentures, bonds, and other obligations of the corporation may be secured by assets of the corporation in such manner as shall be prescribed by its board of directors: *Provided*, That the aggregate of all obligations issued under this section shall not exceed five times the amount of the subscribed capital stock. Such obligations may be issued in payment of any loan authorized by this act or may be offered for sale at such price or prices as the corporation may determine with the approval of the Secretary of the Treasury. The said obligations shall be fully and unconditionally guaranteed both as to interest and principal by the United States, and such guaranty shall be expressed on the face thereof. In the event that the corporation shall be unable to pay upon demand, when due, the principal of or interest on notes, debentures, bonds, or other such obligations issued by it, the Secretary of the Treasury shall pay the amount thereof, which is hereby authorized to be appropriated, out of any moneys in the Treasury not otherwise appropriated, and thereupon to the extent of the amounts so paid the Secretary of the Treasury shall succeed to all the rights of the holders of such notes, debentures, bonds, or other obligations. The Secretary of the Treasury, in his discretion, is authorized to purchase any obligations of the corporation to be issued hereunder, and for such purpose the Secretary of the Treasury is authorized to use, as a public-debt transaction, the proceeds from the sale of any securities hereafter issued under the second Liberty bond act, as amended, and the purposes for which securities may be issued under the second Liberty bond act, as amended, are extended to include any purchases of the corporation's obligations hereunder. The Secretary of the Treasury may, at any time, sell any of the obligations of the corporation acquired by him under this section. All redemptions, purchases, and sales by the Secretary of the Treasury of the obligations of the corporation shall be treated as public-debt transactions of the United States. Such obligations shall not be eligible for discount or purchase by any Federal reserve bank.

Any and all notes, debentures, bonds, or other such obligations issued by the corporation shall be exempt both as to principal and interest from all taxation (except surtaxes, estate, inheritance, and gift taxes) now or hereafter imposed by the United States, by any Territory, dependency, or possession thereof, or by any State, county, municipality, or local taxing authority; except that any real property of the corporation shall be subject to State, Territorial, county, municipal, or local taxation to the same extent according to its value as other real property is taxed.

In order that the corporation may be supplied with such forms of notes, debentures, bonds, or other such obligations as it may need for issuance under this act, the Secretary of the Treasury is authorized to prepare such forms as shall be suitable and approved by the corporation to be held in the Treasury subject to delivery, upon order of the corporation. The engraved plates, dies, bed pieces, and so forth, executed in connection therewith shall remain in the custody of the Secretary of the Treasury. The corporation shall reimburse the Secretary of the Treasury for any expenses incurred in the preparation, custody, and delivery of such notes, debentures, bonds, or other obligations.

When designated for that purpose by the Secretary of the Treasury, the corporation shall be a depositary of public money, except receipts from customs, under such regulations as may be prescribed by said Secretary; and it may also be employed as a financial agent of the Government; and it shall perform all such reasonable duties, as depositary of public money and financial agent of the Government, as may be required of it. Obligations of the corporation shall be lawful investments, and may be accepted as security, for all fiduciary, trust, and public funds the investment or deposit of which shall be under the authority or control of the United States or any officer or officers thereof.

SEC. 15. Upon the expiration of the period of two years within which the corporation may extend credit and make loans, or any extension thereof by the President under the authority hereby conferred to extend said period,

the board of directors of the corporation shall, except as otherwise herein specifically authorized or authorized by further act of Congress, proceed to liquidate its assets and wind up its affairs. It may with the approval of the Secretary of the Treasury deposit with the Treasurer of the United States as a special fund any money belonging to the corporation or from time to time received by it in the course of liquidation or otherwise, for the payment of principal and interest of its outstanding obligations or for the purpose of redemption of such obligations in accordance with the terms thereof, which fund may be drawn upon or paid out for no other purpose. The corporation may also at any time pay to the Treasurer of the United States as miscellaneous receipts any money belonging to the corporation or from time to time received by it in the course of liquidation or otherwise in excess of reasonable amounts reserved to meet its requirements during liquidations. Upon such deposit being made, such amount of the capital stock of the corporation as may be specified by the corporation with the approval of the Secretary of the Treasury but not exceeding in par value the amount so paid in shall be canceled and retired. Any balance remaining after the liquidation of all the corporation's assets and after provision has been made for payment of all legal obligations of any kind and character shall be paid into the Treasury of the United States and miscellaneous receipts. Thereupon the corporation shall be dissolved and the residue, if any, of its capital stock shall be canceled and retired.

If at the expiration of the ten years for which the corporation has succession hereunder its board of directors shall not have completed the liquidation of its assets and the winding up of its affairs, the duty of completing such liquidation and winding up of its affairs shall be transferred to the Secretary of the Treasury, who for such purpose shall succeed to all the powers and duties of the board of directors of the corporation under this act. In such event he may assign to any officer or officers of the United States in the Treasury Department the exercise and performance, under his general supervision and direction, of any such powers and duties; and nothing herein shall be construed to affect any right or privilege accrued, any penalty or liability incurred, any criminal or civil proceeding commenced, or any authority conferred hereunder, except as herein provided in connection with the liquidation of the remaining assets and the winding up of the affairs of the corporation, until the Secretary of the Treasury shall find that such liquidation will no longer be advantageous to the United States and that all of its legal obligations have been provided for, whereupon he shall retire any capital stock then outstanding, pay into the Treasury as miscellaneous receipts the unused balance of the moneys belonging to the corporation, and make the final report of the corporation to the Congress. Thereupon the corporation shall be deemed to be dissolved.

SEC. 16. All the business of the corporation shall be public business and all decisions, regulations, and actions taken shall be public, except that executive sessions of the board of directors and advisory council may be held and the deliberations upon or tentative plans and administration of the details of its business need not be made public. The corporation shall make and publish a report quarterly of its operations to the Congress, stating the aggregate credits extended or loans made in each class of such credits or loans and the number of debtors by States in each class. The statement shall show the assets and liabilities of the corporation, and the first report shall be made on December 1, 1932, and quarterly thereafter. The report shall also show the names and compensation of all persons employed by the corporation whose compensation exceeds $400 a month.

SEC. 17. The corporation and its agencies shall be authorized to enlist the aid of volunteer workers employed without compensation to carry out the detailed administration of its business, but no such volunteer worker shall have any authority as an agent of the corporation, or of any of its agencies, to enter into any obligation binding upon the corporation except upon and after ratification in writing of such an obligation by a duly authorized agent of the corporation.

SEC. 18. (a) Whoever makes any statement knowing it to be false, or whoever willfully overvalues any security, for the purpose of obtaining for himself or for any applicant any loan, or extension thereof by renewal, deferment of action, or otherwise, or the acceptance, release, or substitution of security therefor, or for the purpose of influencing in any way the action of the corporation, or for the purpose of obtaining money, property, or anything of value, under this act, shall be punished by a fine of not more than $5,000 or by imprisonment for not more than two years, or both.

(b) Whoever (1) falsely makes, forges, or counterfeits any note, debenture, bond, or other obligation, or coupon, or credit certificate, in imitation of or purporting to be a note, debenture, bond, or other obligation, or coupon, or credit certificate, issued or authorized by the corporation; or (2) passes, utters, or publishes, or attempts to pass, utter, or publish, any false, forged, or counterfeited note, debenture, bond, or other obligation, or coupon or credit certificate, purporting to have been issued or authorized by the corporation, knowing the same to be false, forged, or counterfeited; or (3) falsely alters any note, debenture, bond, or other obligation, or coupon, or credit certificate, issued or purporting to have been issued or authorized by the corporation; or (4) passes, utters or publishes, or attempts to pass, utter or publish, as true any falsely altered or spurious note, debenture, bond, or other obligation, or coupon or credit certificate, issued or purporting to have been issued or authorized by the corporation, knowing the same to be falsely altered or spurious, or any person who willfully violates any other provision of this act, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than five years, or both.

(c) Whoever, being connected in any capacity with the corporation, (1) embezzles, abstracts, purloins, or willfully misapplies any moneys, funds, securities, or other things of value, whether belonging to it or pledged or otherwise intrusted to it; or (2) with intent to defraud the corporation or any other body politic or corporate, or any individual, or to deceive any officer, auditor, or examiner of the corporation, makes any false entry in any book, report, or statement of or to the corporation, or, without being duly authorized, draws any order or issues, puts forth or assigns any note, debenture, bond, or other obligation, or draft, bill of exchange, mortgage, judgment, or decree thereof; or (3) with intent to defraud participates, shares, receives directly or indirectly any money, profit, property, or benefit through any transaction, loan, commission, contract, or any other act of the corporation; or (4) gives any unauthorized information concerning any future action or plan of the corporation which might affect the value of securities, or, having such knowledge, invests or speculates, directly or indirectly, in the securities or property of any company, bank, or corporation receiving loans or other assistance from the corporation, shall be punished by a fine of not more than $10,000 or by imprisonment for not more than five years, or both.

(d) No individual, association, partnership, or corporation shall use the words "United States Exchange Corporation" or a combination of these four words, as the name or a part thereof under which he or it shall do business. Every individual, partnership, association, or corporation violating this prohibition shall be guilty of a misdemeanor and shall be punished by a fine of not exceeding $1,000 or imprisonment not exceeding one year, or both.

(e) The provisions of sections 112, 113, 114, 115, 116, and 117 of the Criminal Code of the United States (U. S. C., title 18, ch. 5, secs. 202 to 207, inclusive), in so far as applicable, are extended to apply to contracts or agreements with the corporation under this act, which for the purposes hereof shall be held to include loans, advances, discounts, and rediscounts; extensions and renewals thereof; and acceptances, releases, and substitutions of security therefor.

The right to alter, amend, or repeal this act is hereby expressly reserved. If any clause, sentence, paragraph, or part of this act shall for any reason be adjudged by any court of competent jurisdiction to be invalid, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph, or part thereof directly involved in the controversy in which such judgment shall have been rendered.

Senator COSTIGAN. Mr. Richberg, will you take the witness stand?

STATEMENT OF DONALD R. RICHBERG, AN ATTORNEY, OF CHICAGO, ILL.

Senator COSTIGAN. It may be stated that other Senators who are not in attendance have authorized their attendance to be entered for the purpose of the hearing so that there is an authorized quorum.

Please give your address and occupation.

Mr. RICHBERG. The name is Donald R. Richberg; address, 333 North Michigan Avenue, Chicago, Ill. My occupation is that of a lawyer.

I appear here particularly, Mr. Chairman, as counsel for the Railway Labor Executives' Association, and, in a measure, representing certain other organizations supporting this bill.

If it meets with your approval, I would like to make a brief statement regarding certain underlying principles which seem to me to support this bill and then expand that as you may desire.

Senator COSTIGAN. Please do so.

Mr. RICHBERG. This bill, S. 4947, which has been introduced by Senator Costigan, and simultaneously by Representative LaGuardia in the House as H. R. 12885, undertakes to give immediately a purchasing power of from $300 to $500 to some 7,000,000 unemployed heads of families whereby they will be able to buy the necessities of life for themselves and their dependents during the next six months. It follows the lines of a bill which was recently indorsed by the Railway Labor Executives' Association. Since I had much to do with the drafting of that bill I should like to make it clear that the program for relief of unemployment and unemployment distress embodied in the bill before this committee is not the product of any one individual or any one organization, with which I know the chairman is in agreement.

It is the product of the thought and labor of many economists, lawyers, bankers, and civic and industrial organizations, which was finally translated into this bill by its official sponsors—Senator Costigan and Representative LaGuardia.

Without committing anyone to the support of this measure, except those who formally have approved it, let me state that in my own work upon this bill I have consulted with and utilized the aid of not only the railway labor organizations and representatives of the American Federation of Labor, but also representatives of farm organizations, of the American Legion, of civic and charitable relief agencies, of the unpaid Chicago teachers—for whom I may say I am also acting as counsel—and individual leaders in finance and business, including the heads of some of the largest banks and business enterprises in this country. Therefore, before discussing the details of this bill let me summarize the ideas which underlie this legislative proposal.

There is to-day general agreement upon two essential principles which are the foundation of this bill.

First, credit which is normally used to increase production should be used to increase purchasing power in this period of unprecedented business stagnation.

Second, the only remedy for unemployment is to put men to work.

In all the relief measures which have been given the serious consideration of Congress up to date are certain unhappy limitations:

First, direct charitable relief only partly alleviates misery. It does not stop the continuing production of misery. A comprehensive national dole, providing mere subsistence indefinitely for the unemployed would not lift us out of the depression. A partial dole will only serve to dull our consciences and to detour our good impulses.

Second, loans to banks, railroads, and business enterprises may delay bankruptcies and receiverships but will not increase employment or purchasing power. The values of stocks and bonds are not enhanced when a corporation goes further into debt. A bank is not made solvent by borrowing money with which to pay depositors. The loans of the Reconstruction Finance Corporation may postpone but will not prevent disaster. Other more constructive forces must be invoked to reverse the downward trend.

Third, loans for new public or private construction should stimulate employment and increase purchasing power. But the merit of such a program depends largely on its volume and its speed, which are both uncertain. A little new work, a trickle of added purchasing power will not bring about a general business revival. And without the stimulus of a rapid, widespread improvement it will become more and more difficult to induce either public or private borrowing for new production. There can be little encouragement to launch new self-sustaining, income-producing projects when billions of capital now invested in existing enterprises are idle and profitless because of the lost purchasing power of the masses.

The statements just made summarize the difficulty of financing new employment in order to create new purchasing power. The bill before you aims at eliminating this difficulty by reversing that economic process. This bill proposes to finance a new purchasing power and thereby to create new employment. It has one supreme merit in that its primary objectives will be attained and its primary benefits will reach the masses of the people. It will positively relieve the distress of a vast majority of the unemployed. It will furnish a nation-wide insurance against privation in the coming winter. It will increase employment rapidly and provide work in the near future for a large percentage of the unemployed. We may debate over its ultimate effects; but we can not argue long over the immediate results of its enactment.

Let us summarize the bill by sections.

The CHAIRMAN. Please proceed in your own way.

Mr. RICHBERG. Sections 1, 2, 3, and 4 create a corporation known as the United States Exchange Corporation, similar in organization and method of functioning to the Reconstruction Finance Corporation but having for its purpose putting credit behind purchasing power instead of behind productive power, and, I may say, Mr. Chairman, that throughout the bill the detail of the operation of this corporation shows, or rather, follows not only the general method, but the exact language of the Reconstruction Finance Corporation act wherever applicable.

The corporation will have a board of directors consisting of the Secretaries of the Treasury, Commerce, and Labor and six presidential appointees. Also there will be an advisory council representative of all interests in the principal economic activities of the Nation. We might for convenience call this corporation U. S. E. C., which initials stand, not only for its official name, but also for its object: United States emergency credit.

Section 5 provides that the first duty of U. S. E. C. will be to make an emergency survey—within 30 days—of the existing demands upon essential industries for the necessities of life which are not being satisfied because of lack of purchasing power, in order

to determine the character and volume of purchases which would result from establishing a credit of $500 each for unemployed heads of households, and the maximum increases of employment which could be produced in response to such purchasing power.

Section 6 provides that on the basis of this survey U. S. E. C. will arrange through local agencies to extend credits to cover six months' necessary purchases for unemployed heads of households in amounts not exceeding $300 for an individual, plus $100 for each dependent, but not exceeding a total of $500 for each household head.

Section 7 provides that U. S. E. C. will license producers, distributors, and transporters who will agree to accept its credit certificates at face value and conform to regulations concerning the terms and conditions under which purchases shall be made and goods or services produced. All purchases on credits must be made through such licensed producers, distributors and transporters.

I may remark at that point, referring to the bill, Mr. Chairman, that this is not a limitation in any real sense because the act provides that all responsible producers, distributors and transporters, shall be entitled to become and remain licensees so long as they carry out agreements with the corporation and comply with its regulations. The main purpose of this is simply to provide against discounting credit certificates issued by the corporation, in order to have them received at their face value and cashed in the manner provided in the act.

Secondly, a reason for the license is in order to prevent any taking advantage of the influx of orders which would result from such a large extension of credit; that is, taking an unfair advantage.

Necessarily, the effect, Mr. Chairman, of such an increase in purchasing power will be to increase commodity prices. Certainly a very desirable result and not one to be retarded within reason.

Section 8 provides that such licensees must agree (1) not to reduce wage scales below those effective June 1, 1932, and (2) to conform to other regulations to insure the furnishing of goods and services at reasonable prices under proper conditions.

Section 9 provides that credit will be extended to applicants signing notes for repayment on or before 10 years after date, with a low but increasing rate of interest—1 per cent first year, 2 per cent second year, 3 per cent third year, and 4 per cent thereafter.

Payments will be made for goods by such notes accompanied by corresponding credit certificates signed by local agents of U. S. E. C. Credits shall be allotted to States either in accordance with their populations or the need for relief. That is provided to be determined by the corporation. If the total requests for credit exceed $3,000,000,000, which is the total credit facility of the corporation, reductions in amounts allotted to the States will be made proportionately.

At this point, I might say, inasmuch as the machinery here, which is rather simple but may not be clearly explained by this brief statement, the purpose is this, that purchasers through the ordinary channels of retail purchase will obtain the necessary goods and services which they are permitted to buy with the aid of this credit. These are designated groups of goods and services. They will obtain them on their notes. These notes would not be accepted at face value by the ordinary retail merchant, but they will be supported by the

credit certificates of the United States Exchange Corporation in the same amount as the notes and will be eventually redeemable, that is, cashed through the corporation, as provided later in the bill. In other words, the credit of the individual is substantially indorsed to the amount of the allotment of credit and for the purchase of designated necessary goods and services. It is not in the nature of a bank loan whereby the individual obtains a sum of money to spend as he sees fit, but it is the extension of credit to the individual for the purchase of necessaries of life, and that would have two effects. In the first place, it will insure the relief of actual distress, and, in the second place, it will prevent the waste of such loans in needless expenditures, and in the third place it will canalize the purchasing power of the individuals in certain lines of fundamental necessaries which will, as a matter of fact, stimulate the business of the producers of such necessaries.

Section 10 provides that borrowers employed during the life of U. S. E. C., which is 10 years, will agree and their employers will be required, to deduct 10 per cent of wages, to be paid to U. S. E. C. until any notes of such borrowers have been paid.

Just as an indication, Mr. Chairman, of the extent to which that would insure repayment of the obligations, I would like to point to certain groups of unemployed at the present time. There are some 800,000 railway workers with whom I am particularly familiar, normally needed for the operation of the railroads and now unemployed. These men are recognized employees, appearing on furlough lists of the railroads, subject to call. Inevitably, with the revival of business, these men will be called back. There is no difficulty whatsoever in providing for the collection of the notes of these men through their employers, and I may say that that group represents at the present time something near one-tenth of the unemployed of the country. To show the manner in which the financing negotiations would operate, assume the borrowing of $400 by such a present unemployed worker, with a deduction from a wage of say $1,400, of 10 per cent a year, which would mean the entire amount would be repaid with interest in approximately three years.

Now, I can speak of another class with whom I am particularly familiar, the unpaid Chicago school-teachers, who can be properly brought within the terms of this bill. Of course, not only such school-teachers but other public employees not being now paid are perfectly good security for such loans.

Then, I may refer to the large army of unemployed veterans who are entitled to adjusted compensation eventually, and it is a very easy proposition to provide for advancing this money to such veterans and securing it by the present credits which they have as a matter of fact with the Government. In addition to these groups there will come to mind naturally a vast army of skilled workers, of salesmen, of unemployed persons of substantial, recognized standing in their communities who furnish about as good security as could be imagined for the repayment of a loan under these conditions.

Senator COSTIGAN. Under what sections of the bill would the teachers and veterans respectively come?

Mr. RICHBERG. I think, Mr. Chairman, if I may make the suggestion, that that section of the bill, section 6, which provides for extension of credits to unemployed adults, while that is capable

under the bill itself of further definition by regulations of the corporation, I may suggest at this point it might be desirable to clarify the extension of the credits therein provided, to such persons as the school teachers and unemployed farmers for example, if there is any question as to what is covered by the words "unemployed adults." This does not necessarily mean a person subject to an employer, but a person who is employed in a gainful occupation. That could be clarified, I may suggest, and made perfectly certain by the addition of such a statement or sentence as this, to section 6, which I suggest at this time for your consideration at the end of section 6. I simply suggest it for your consideration.

The term "unemployed adults" as used herein (which may be further defined by general regulations of the corporation) shall be construed so as to authorize the extension of credits to any person capable of self-support but unable to purchase necessaries of life because of inability either to obtain employment or compensation for services performed or goods produced.

That could be made effective through the regulations of the corporation.

Now, in regard to the unemployed veterans, I would state that in section 10 provision is made for payment out of future employment by employers of those borrowers.

It would be possible to extend that a little further by the addition of one sentence at the end of the section, which I will suggest for your consideration in the following language:

The corporation is expressly authorized to prescribe and enforce general regulations requiring any borrower to secure the payment of his notes out of any of his financial resources which may be so utilized without causing the deduction of more than 10 per centum per annum from his future earnings.

That would provide security, not by a particular regulation as to an individual borrower, but by general regulations such as those applying to veterans who have Federal compensation coming to them, and other groups. It would permit advancement on the basis of existing financial resources provided such advances did not operate to deduct more than 10 per cent from future earnings.

That would, for example, permit, in the case of the Chicago school teachers, assignments of their credits in whatever form that might be authorized to protect the loans so that when those credits were made good by the municipality the Federal corporation would be repaid.

Senator COSTIGAN. Your suggested amendments, Mr. Richberg, will be taken under consideration by the committee.

Mr. RICHBERG. I will proceed, Mr. Chairman, if that is agreeable, with the analysis of the few remaining sections of the bill.

Section 11 provides that U. S. E. C. will be authorized to extend credits to licensed producers for the employment of additional workers to fill orders received. Credit certificates after orders have been filled, accompanied by purchasers' notes, will be honored by U. S. E. C. and paid either in cash or by transfer of U. S. E. C. bonds equal in value to the face value of such credit certificates.

In that section is the substantial basis for the credit here extended, and that provides for the eventual cashing by the United States Exchange Corporation of these credit certificates when presented by the producers or distributors; in other words, by large ultimate recipients of these. Then they are to be honored by payment either

in cash or, at the option of the corporation, by the transfer of corporate bonds in the face value of the credit certificates, without interest.

That avoids the question, which has been raised frequently, as to the floating of a large bond issue because, as a matter of fact, that provides for the acceptance by those who honor these credit certificates of the bonds themselves at face value, and surely in this time it is hardly to be imagined that large buying will be rejected on the basis of payment in United States Government bonds, which is what this amounts to.

Section 12 provides that U. S. E. C. will be authorized to make loans to railroads and other essential enterprises to finance deferred maintenance of existing properties essential to supply a future demand for necessary goods or services; the amount of such loans not to exceed an aggregate of $250,000,000. This will stimulate the immediate employment of several hundred thousand men.

One of the purposes of that, Mr. Chairman, is that on the railroads particularly, and in other enterprises, there is accumulating a very large amount of deferred maintenance. The properties are being permitted to run down. The rebuilding of the properties, their rehabilitation, is absolutely essential to the future prosperity of the country, not only in the case of the railroads, but in the case of many other large enterprises dealing with essentials. If advances could be made for such deferred maintenance, these would operate immediately to put back to work, as is suggested here, several hundred thousand men.

In the case of the railroads, the deferred maintenance, both as to equipment and as to right of way, reaches enormous amounts, and the men laid off at the present time run to the number of several hundred thousands.

This is work which must be done eventually. This work is more costly the longer it is deferred. A railroad could well afford to pay interest rates to do the work now, particularly if that program were put into effect, coincident with a general increase in purchasing power, which would mean the moving of a large amount of goods over the railroads and the creation of a large amount of traffic which would immediately begin to produce additional revenues.

At the present time we have reduced revenues, and the railroads may well hesitate to engage in further borrowings, although I have heard it stated by responsible railroad officials of high standing that if they were given the money to-morrow earmarked "For maintenance," that they would put thousands of men to work. I have had that direct from railroad officials of high responsibility within the last two or three weeks and I do not doubt it is true.

Senator COSTIGAN. Is it your judgment that such legislation is necessary to supplement the Federal Reconstruction Finance Corporation?

Mr. RICHBERG. The difficulty with the Reconstruction Finance Corporation, as I understand it, is that all the moneys are being received, or are being used, to bolster up financial conditions, to protect security values, to take care of interest payments, and not earmarked in any way for maintenance work; and as one high railroad official said to me, with some exasperation, "If we only had some of this money earmarked for maintenance alone, so that it could not be

diverted to other channels, we would put our railroad back into condition."

It is not unfair to say, Mr. Chairman, that the railroads are rapidly approaching a very dangerous condition as to deferred maintenance of right of way particularly, and they are approaching a very unsound condition as to deferred maintenance of equipment which is not now required but which, with an increase of business, would be very soon required and is in no condition at the present time for operation.

Similar conditions exist in other essential industries.

Section 13 provides that where State and municipal relief agencies apply for credits to meet charitable relief needs for those incapable of self-support, after the exhaustion of other sources of relief, credits may be extended upon the notes of such State or municipal bodies, if the credit facilities of U. S. E. C. have not been exhausted, to the extent of not more than $250,000,000. This will provide additional funds for direct charitable relief for those incapable of self-support.

You note, Mr. Chairman, the bill applies specifically, in its major provisions to unemployed persons capable to self-support, and is not intended as a charitable relief bill but to relieve those to whom loans can be made who would repay the loans. But there is also a fraction of the population which is dependent upon what is essentially charitable support, and the present conditions press heavily upon such persons. The thought in this section is that if, as a result of the operations of this corporation, there should be such an increase in employment so that the facilities for credit would not be entirely utilized, it would be possible to extend some of this credit aid to these State and municipal agencies which at the present time are unable to meet their charitable requirements.

In that connection, I should point out that an undoubted effort of this vast increase of purchasing power would be the stimulation of a large amount of new employment. It would be utterly impossible to satisfy the demand created by the purchasing power of say seven million families at $400 apiece for six months, it would be utterly impossible to satisfy that purchasing power, without employing more people than are at present being employed. The stores would require new salesmen, new delivery men, and new employees would be required on the railroads, new employees in factories and various production enterprises to the extent of thousands, and, in fact, hundreds of thousands of persons, inevitably, to satisfy such a demand as would be created.

Senator COSTIGAN. Mr. Richberg, the demand exists at this time. Why is it not satisfied?

Mr. RICHBERG. Of course, it is not satisfied purely because of the lack of any purchasing power arising out of the lack of employment of these millions of unemployed. They have the demand and it is only being met in a very limited way by the smallest form of charitable relief.

Senator COSTIGAN. In other words, our industrial activity is being suspended by lack of confidence and by other factors with which we are all familiar.

Mr. RICHBERG. Because we can not start apparently the good circle of purchasing power. We simply keep spiraling down instead of starting an upward spiral.

Mr. Chairman, in that connection, let me point out that it is quite well accepted by economists that the business resulting from a new expenditure can be regarded as multiplying the original amount of the expenditure by anywhere from ten to thirty times the amount within the period of a year.

In other words, if you create a purchasing power of say $2,000,000,000, you are inevitably producing business results, a total business done, which will amount to, let us say, thirty, forty, or fifty billion dollars within a year, because of the fact that the money, once started moving, keeps turning over and over. So that the benefits to be derived from this increase of purchasing power are not the creation of two or three billion dollars' worth of business, but the creation of something like fifty or sixty billion dollars' worth of business within a year.

Section 14 provides that U. S. E. C. will be authorized to issue notes, debentures, and bonds to the amount of not more than five times its initial capital of $500,000,000, thus providing a total revolving fund of approximately $3,000,000,000.

I may point out that as soon as this borrowing commences and the borrowers themselves are put to work satisfying the demand which has thus become a purchasing power, of course the borrowers themselves automatically will begin to repay on the basis of 10 per cent of their earnings and the credit possibilities or facilities of the corporation will be returned and can be utilized again, so that the total amount of the credits extended may exceed in the aggregate far more than $3,000,000,000.

Section 15 provides for winding up the affairs of U. S. E. C. after a period of two years.

That is not winding up at the end of two years, but the beginning of winding up as is provided in the reconstruction finance act. That is subject to extension by the President under the terms of the bill.

Section 16 provides that all business of U. S. E. C. will be public business and its actions shall be public, which makes somewhat of a distinction between the provision in this bill and the provision in the Reconstruction Finance Corporation act.

Senator COSTIGAN. The bill provides for quarterly reports of the operations of the corporation to Congress, does it not?

Mr. RICHBERG. This bill does, Mr. Chairman, yes; and it also provides that all the business of the corporation shall be public business and all decisions, regulations, and actions taken shall be public except that executive sessions of the board of directors and advisory councils may be held and the deliberations upon or tentative plans of administration and details of the business need not be made public; and it also provides that the corporation shall make and publish a quarterly report.

Section 17 authorizes U. S. E. C. to employ volunteer aids, without authority to obligate the corporation.

That, Mr. Chairman, was assumed as a part of the machinery to be set in motion to put this credit into operation. If I may use an analogy, more or less along the line of the selective draft act in 1918 where the local agents of the Government were found in every community and were largely volunteer aids.

With this corporation, operating through general regulations without discretion, any local agencies could utilize the services of a vast army of such volunteer agents; and I think it may be fairly said, Mr. Chairman, that the fact of creating such a machinery, the fact of bringing into every community the strength and hope that would come from a revival of purchasing power, that this organization in itself, the mere mechanics of it, would help stimulate business and spread a new hope, and might be well expected to turn the tide of the present depression, which so many people at the present time describe as largely psychological.

Section 18 makes provisions similar to those in the Reconstruction Finance act for the protection of the operations of U. S. E. C. from fraud or forgery and for enforcement of its regulations.

Permit me, Mr. Chairman, to repeat my conviction that the passage of such a bill as this will furnish a nation-wide insurance against privation in the coming winter, will increase employment rapidly, and will turn the tide of depression, restoring confidence and security to millions of American homes.

I would like to add to what I have said one or two observations, unless the chairman desires to ask some questions.

Senator COSTIGAN. Please proceed.

Mr. RICHBERG. In the first place, I want to say a word as to the responsibility of the borrowers. I have discussed this proposal with a great many people in and out of Congress. In response to that question, I want to express the opinion which I have found concurred in by many others. In the first place there is no responsibility of any organization in the market for loans or other credit extensions that is not based on the earning power of the American people. No railroad, no bank, or other institution can obtain credit except upon the basis of its expectation of being able to pay out of the earning power of the workers of this country. And as long as the earning power of the workers of this country is steadily declining, securities for every loan made are steadily declining, as is shown very clearly in the constant downward trend of prices on the New York Stock Exchange since the operations of the Reconstruction Finance Corporation began.

In other words, the security behind all loans is the earning power of the worker. He must give it the value that is found in property because property is productive only because someone works and produces an income out of that property. We must rely on the earning power of the American citizen. That is the security behind every loan; and I am personally unable to see where there is any greater security to-day in lending to a corporation which is merely an organization of the earning powers of a great many men, than in lending directly to the mass of the workers who are going to produce this earning power.

Now, as to the repayment, I have given some indication of vast groups of employees whose repayment would be absolutely positive.

It may be readily conceded that in any such program as this there would also be a large amount of default occurring from death and from other causes that could not possibly be avoided, and occurring from mere evasion. That is undoubtedly true and can be frankly faced. But, Mr. Chairman, the cost of direct relief which is absolutely essential to keep the people from starvation to-day, is

growing and mounting to an enormous amount, and the total loss under this program could not possibly equal the cost to the country in the next year of direct relief if this present situation continues and the tide is not stemmed.

I do not suppose there would be the slightest hesitation on the part of the Congress of the United States to vote $3,000,000,000 or $5,000,000,000 in bonds, if we were threatened with an enemy off our coast, or threatened with invasion. If we found ourselves involved for some reason in a war, the money so voted would be largely used for purposes of destruction and purchases would be destroyed.

I am going to call attention to the fact that it has been stated, I believe, on responsible authority, that the cost of the ammunition fired in the Meuse-Argonne offensive in 45 days was something like $762,000,000. We can afford such costs and we can certainly afford to face the loss of one billion or two billion dollars if by the action taken we should turn the tide of depression; and if in the meantime we have positive assurance that we have destroyed the possibility of destitution in 8,000,000 or 10,000,000 American homes in the coming winter.

Senator COSTIGAN. Are we to infer from your last statement that such a loss is probable under this measure?

Mr. RICHBERG. I think it is exceedingly improbable that there would be any loss equalling the losses which I believe will be suffered by the Reconstruction Finance Corporation, and I may state that I saw an editorial in a conservative newspaper of Chicago the other day which opposed this idea of small loans to the workers, but said it was probably true that this would cost less than the Reconstruction Finance Corporation.

Senator COSTIGAN. Is it not true that in the case of workers who are employed under such a program, the losses will probably be negligible?

Mr. RICHBURG. I think in the great mass of skilled and regularly employed workers the losses will be negligible because those are the men upon whom the future possibilities of the country depends and they will have the means for repayment, and I think repayment can be readily inforced, and I think it would be honestly inforced.

I may state I have talked with men who have had experience in dealing with the regular and common everyday American worker and his financial obligations, and they have told me that they had always been surprised at the integrity with which those obligations were met.

Incidentally, Mr. Chairman, I would like to point out that, not for the purpose of attempting to advertise the book, it being one that I did not write, but in a book by Mr. Woodward, entitled "Money for Tomorrow"——

Senator COSTIGAN. The full name of the author, please?

Mr. RICHBERG. W. E. Woodward, entitled "Money for Tomorrow." Mr. Woodward has advocated the idea of loans to individuals, not exactly along the lines of this bill, but of loans to individual workmen, industrial loans in the amount of $3,000,000,000 or $4,000,000,000.

Senator COSTIGAN. When was this book published?

Mr. RICHBERG. This book has been published this year, 1932. In his book Mr. Woodward, who is a former executive of the Morris

Plan Banks, gave his own opinion from his banking experience that the amounts of repayments would be extraordinarily large instead of small.

Senator COSTIGAN. Have you given consideration to the question? To what extent may credit be utilized as distinguished from cash?

Mr. RICHBERG. Of course, Mr. Chairman, the bulk of the business of this country is done on credit; of course, the volume of our currency that actually moves to-day is very small compared with the total volume of business. As a matter of fact, our whole financial economy is on the basis of credit, and I suppose every financial expert who has dealt with the question has come back to the proposition that what was needed in some way was to create a credit behind purchasing power.

Without using any names, because I do not want to bring persons into this discussion without their authority, but I want to say this, that I discussed this problem with the head of one of the largest banks in the United States within the last month. He said that the credit facilities have been organized for the purpose of aiding in production. That we had ample credit facilities to stimulate, to increase, and maintain productive power, but that no financial system had been developed up to date to provide credit facilities for increasing purchasing power, except so far as somewhat abortive and violently stimulating efforts were made in the last seven or eight years to increase installment buying. There has really been very little known in financial operations of putting credit behind purchasing power; and yet that is the great need of the present time, which I say, not of my personal conviction, but on the authority of such men as this particular banker with whom I was discussing the question.

There is no question that this bill will put an enormous credit behind purchasing power, will create a vast purchasing power.

I will say, Mr. Chairman, that I do not believe anyone here—I do not believe anyone in the country—is competent to give an absolute prophecy of the results of any stimulation of purchasing power and general resumption of business over a period of three or four years. But at least we can look ahead for 12 months and we can say with complete conviction that if the unemployed heads of families in this country were given the absolutely essential purchasing power, to supply the necessaries of life for six months, we would have an enormous increase of business activity, of employment, and we certainly would prevent privation in the coming winter. Those things we can be sure of.

Senator COSTIGAN. Mr. Richberg, are you familiar with what is termed the Seattle plan of which we have been hearing recently?

Mr. RICHBERG. Is that the exchange plan?

Senator COSTIGAN. The exchange plan.

Mr. RICHBERG. I am familiar with efforts that have been made in various parts of the country, Mr. Chairman, to get business into operation by direct exchange in one form or another.

Senator COSTIGAN. Is it not in a measure an illustration of the principle of which you are speaking?

Mr. RICHBERG. I think it is a very definite example of it. It is simply going back to an early and clumsy method and a slow method of stimulating business, whereas, since we are on a credit economy,

the way to stimulate business to-day is to put a new flow of credit into the markets.

In that connection I happened to notice, and without saying that either of the eminent Senators has given any approval to this proposition, I happened to notice in the discussion in the Senate on July 1 a brief colloquy between Senator Borah and Senator Watson which I would like to quote simply for its inferential bearing upon the present problem.

Senator COSTIGAN. Have you the page of the Record?

Mr. RICHBERG. It is on page 14882 of the Congressional Record, during a discussion on the home-loan bank bill, when Senator Borah said, in a colloquy with Senator Watson:

> Which suggests the proposition that before we close this session we had better pass a bill which will enable the individual citizen himself to have a little more currency and a little more money with which to do business.
>
> Mr. WATSON. I am personally in favor of that.

I assume, from other statements, that possibly what the Senators had in mind in that discussion may have been something in the nature of a currency inflation, but that at least is a little more indirect method and a little more uncertain method of accomplishing the same result which is directly aimed at in this particular bill.

Senator COSTIGAN. Have you completed your statement?

Mr. RICHBERG. I have practically completed it.

Senator COSTIGAN. The committee will be glad to hear anything further you wish to state.

Mr. RICHBERG. There is only one thing further I would like to say and it may be perhaps anticipating a criticism. It seems that every effort to help individuals in this country in any form is termed a "dole"; and in order that there might be no confusion as to this particular program, I would like to express as my personal opinion that no one using words accurately, and otherwise than as mere epithets, can call such a program as this a plan for "doles." We may have passed to the point where some "dole" is accepted as necessary in this country. Certainly, the passage of a direct relief bill involving the payment of several hundred million dollars in charitable relief smacks somewhat of the hated designation of a "dole." But there is no more resemblance in the proposition that a loan shall be made to an individual, there is no more resemblance to a "dole," than there is in the proposition that a loan shall be made to a corporation.

If credit should be extended to railroads and banks and other institutions, and that is not a "dole," then the extension of credit to individuals whose earning power is behind the solvency of the banks and other institutions, the extension of credit to such individuals, responsible borrowers, issuing their notes, promising to pay, that is not a "dole." I would like to make it perfectly clear from my point of view that it would be wholly improper and unfair as a method of argument to discuss this proposition that way, as though it smacked of the charitable gifts which receive the common name of a "dole."

Senator COSTIGAN. By the word "dole" you mean charity?

Mr. RICHBERG. As I understand the word "dole" means charity. It means giving something for nothing and essentially it means the support by the State of individuals in idleness.

Now, this bill does not in any way suggest any continuing support. It does not in any way suggest any charity. It is limited in its application to individuals normally capable of self-support, and that is specified in section 6 of the bill which provides for extending credit to "unemployed adults responsible for and capable of self-support." Also it is credit for the specific purchase of necessary goods and services; and it is credit extended upon the notes of the borrower. Now, that proposition, whether sound or unsound, is entirely different from anything which can be sincerely and honestly described as a "dole."

Senator COSTIGAN. The essential purpose of the bill is to promote industry by extending sound credit to individuals?

Mr. RICHBERG. That is its purpose; yes.

I may point out one other thing, Mr. Chairman, and that is that the merit of this proposition rests upon the volume of purchasing power created within a short period of time and that is a merit which is not possessed by any proposition to which Congress has given serious consideration, apparently. In other words, a mere trickle of increased purchasing power, a mere slight stimulation of employment, can not be expected to turn the tide of such a tremendous depression as that we are in now. But if you should create a tremendous volume of purchasing power in a short space of time you would gain a stimulating effect which could not be denied.

Senator COSTIGAN. Have you concluded?

Mr. RICHBERG. I have completed what I wanted to volunteer, Mr. Chairman.

Senator COSTIGAN. Thank you, Mr. Richberg. Because of business of the Senate, the subcommittee will now recess, subject to the call of the Chair.

(Whereupon, at 11.35 o'clock a. m., the subcommittee recessed subject to the call of the Chair.)

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